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SERVICES DIVISION INDICATIONS JOURNAL

5 April 1955

1. Formosa Straits- Econ/Mil - Fishing Boats Organization
(Info Date - Nov 54)

Reports from two separate sources in the Shih-t'ang area of Chekiang Province describe the organization of fishing junks into units of battalions (100 boats), companies (30 boats) and teams (10 boats).

S/PM Comment: The organization of coastal junks into such large units contrasts with previous units organized for mutual assistance, numbering no more than five boats each. Although the Communist government has exerted control over the movement of fishing junks in the Formosa Straits for several years, the November organization into battalions and companies coincided with announcements from Peking that seamen on the Chekiang coast were pledged to "help the PLA cross the sea to liberate Taiwan and the coastal islands". Although no detailed information is available on the functions of these organizations, it seems clear that such large units would be more useful for military transport than for economic purposes.

Sources: FBIS, Daily Report, Far East, 26 Nov 54, AAA 27, CUC
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2. Off-shore Islands - Military
(Info Date - 1 April 1955)

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[redacted] now visiting Hong Kong, states that it is the consensus of foreign diplomats in Peking that the Chinese Communists will soon attack the Matsus and Quemoy. The foreign diplomats reportedly believe that the Chinese are prepared for US retaliation but do not expect that the US will react to an attack on the off-shore islands. If there should be major US retaliation, the Chinese Communists are expected to seek Soviet help pursuant to the Sino-Soviet treaty; they also hope that the United Kingdom, India et al would intervene to seek a peaceful solution.

S/OM Comment: This is probably a faithful rendition of the opinion of the Peking diplomatic colony—and probably reflects also what the Chinese Communists want the world to think. Whether or not it is an accurate reflection of China's real intentions or of her evaluation of the US position is impossible to judge.

Sources: State, HongKong tel no. 1969 [redacted], 1 April 1955, S.
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3. Indo- China - Military
(Info Date - Late 1954 to present)

The following represents S/TR's summary position on the capabilities and intentions of the Viet Minh towards South Viet Nam.

The Viet Minh, with strong support from the Chinese Communists, continue to increase their military capabilities. Glandestine shipments of

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Viet Minh logistic capabilities continue to be improved. The Viet Minh and the Chinese have recently completed the restoration of the Hanoi - Nam Quan railroad and its connection across the border with the Chinese system at Pinghsing. At present both the rail line extending south from Hanoi to Nam Dinh and the demarcation line, and the line extending northwest to Lao Kay are under reconstruction. The Viet Minh have announced their intention of restoring these lines by the end of 1955, but it is doubted if both can be completed by this date.

It is evident from the continued build-up of the Viet Minh military capabilities that the Communists are preparing for the possible resumption of hostilities. Their intention to dominate all of Indo-China seems apparent. It is probably, however, that they do not intend to launch an offensive to the south immediately, because the critical situation in Viet Nam may, in their opinion, bring them into control over the entire area without open hostilities.

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